



2022

## SUMMARY REACTION PAPER OF THE INTERDEPENDENCE COALITION

PROPOSAL FOR A DIRECTIVE ON  
CORPORATE SUSTAINABILITY DUE DILIGENCE (CSDD)

The Interdependence Coalition (IC), representing over 100 Certified B Corporations, systems change and impact-driven organisations, was established to advocate for board directors of companies registered within the EU to be mandated to consider the interests of all the company's stakeholders in their decision-making process. It offers the experiences of B Corps as a proof of concept to support this case. B Corps are companies that have met high standards of social and environmental performance, and which have voluntarily embedded in the companies' governing articles a commitment to run the company with consideration of the interests of all stakeholders.

To this end, the IC fully supports the Commission's efforts to pass a Directive that would include a broader duty of care of directors. The growing demand for B Corp certification (over 6,000 companies globally sought certification in the last 2 years) and the tracked evidence on increased revenue growth of the European B Corps (on average over 30% p.a. for each year of certification)[1], indicate that such regulation would be a sum gain for climate, society and for sustainable growth.

The IC welcomes the tenets and direction of the Draft Corporate Sustainability Due Diligence Directive, in particular, the inclusion of Article 25 and supporting Article 26 of the draft Directive which addresses the directors' duties in corporate governance (the core area of focus for the IC).

**We recommend three changes to the framing of Article 25 (Directors Duties).**

**Firstly**, to expand the scope of its application to all companies (not just to those within the scope of the Due Diligence obligations, defined in Article 2). Otherwise, this regulation will have a limited effect covering, for example, only around 20 companies of the 1,000 in the European B Corp community and an estimated 1% of all EU businesses. Directors of all companies are required to take into consideration stakeholder interests as part of their duty of care.

**Secondly**, Article 25 should also refer specifically to the stakeholders' interests alongside sustainability matters and define clearly what is encompassed by consideration of "sustainability matters". This would ensure consistency with the framing and criteria of the CSRD, and would mitigate the risk of greenwashing, through misalignment between reporting and performance requirements.

**Thirdly**, the Directive should clarify that directors while undertaking decisions are free to weigh appropriately the interests of the different stakeholders (including shareholders) and sustainability matters. Without this clarification, directors may not feel at liberty, when the situation requires, to make decisions favoring stakeholders and sustainability matters over shareholder interests.

*[1] B Lab Europe's own internal data analysis of European B Corps that have recertified at least once (required every three years) (B Lab Europe, 2022).*

The arguments that such an expansion of duties is either unnecessary or anti-competitive are contrary to all the evidence facing us: B Corps that have voluntarily adopted such governance practices are outperforming against their peers in terms of revenue growth (mentioned above), are attracting and retaining the best of talent and are driving change in their own spheres of influence through supply chains, investors etc. However, it is no longer appropriate or possible for those that voluntarily adopt a broad duty of care in considering all stakeholders in the running of their companies to carry the load for all the other companies not covered by this directive.

This is a unique and critical moment to reset the role of business in tackling our global climate-related challenges. Without an expansion of the scope and a clearer definition of the directors' duties in Article 25, it is hard to see how business will step up to play its most important role needed in line with the ambitions of the EU Green Deal.

### **Recommendation:**

Taking all of the above into consideration, with a view that a more progressive wording of the Directive will not be attainable at this stage of the evolution of stakeholder corporate governance in the EU due to geopolitical and other reasons within the Member States, we suggest revising Article 25 of the draft Directive in the following way (our additions to the wording are highlighted):

### **Article 25: Directors' duty of care**

1. Member States shall ensure that, when fulfilling their duty to act in the best interest of the company, directors of companies ~~referred to in Article 2(1)~~ take into account the consequences of their decisions for **stakeholder interests** and sustainability matters (**as defined in [ ]**), including, ~~where applicable~~, human rights, climate change and environmental consequences, including in the short, medium and long term.
2. **Directors of companies are not obliged to assign a greater or lesser weight to any of the interests of stakeholders[2] or sustainability matters or their groups in relation to the other interests of stakeholders or sustainability matters or their groups.**
3. Member States shall ensure that their laws, regulations and administrative provisions providing for a breach of directors' duties apply also to the provisions of this Article.

Please see the [Interdependence Coalition website](#) for more details.

*[2] The definition of stakeholders should include shareholders in order for this clause to have the intended meaning.*